

KENTUCKY

TEACHERS' RETIREMENT SYSTEM

RETIRED MEMBER
EDITION



July/August
2006

Members Elect Trustees to KTRS Board

The election for the two positions on the KTRS Board of Trustees due to the expiring terms of Robert M. Conley and Laura A. Zimmerman, was conducted during May 2006. Chief State School Officer Gene Wilhoit certified the results of the election to the KTRS Board of Trustees.



Robert M. Conley of Paintsville, the incumbent, was re-elected to a four-year term as lay trustee. Mr. Conley served as lay member on the Kentucky Teachers' Retirement System (KTRS) Board of Trustees from September 1988

until June 2003, and was appointed to the Board

continued on page 2-CONLEY ...



Laura A. Zimmerman of Lexington, the incumbent, was re-elected to a four-year term to represent active members. Ms. Zimmerman has served as an active member trustee on the Kentucky Teachers' Retirement System (KTRS) Board of

Trustees since September 2003.

continued on page 2-ZIMMERMAN ...

KTRS Board of Trustees Chair & Vice Chair Elected



Dr. Zella F. Wells, of Paintsville, was elected chair of the Board of Trustees for the 2006-2007 fiscal year at the Board of Trustees meeting held June 19, 2006. Dr. Wells has represented active members on

the Board since 2004 and served as the Board's vice-chair during fiscal year 2005-2006.



Barbara G. Sterrett, of Lexington, was elected vice-chair for the 2006-2007 fiscal year. Ms. Sterrett represented active members on the Board from 1990 until her retirement in 2003. In May 2005, she

was elected to represent retired members.

**** Inside this Issue ****

Members Elect New Board Members	1
Board Chair & Vice Chair Elected	1
Board Elects Trustee to Unexpired Term	2
\$12 Million from General Fund Surplus	2
Cost of Living Adjustment	3
Disability Income Limitation	3

Military Service Purchases	3
WHCRA Annual Notice	3
Retirements Down-Helps Build Financial Security	4
Medicare Part D Update	4
KTRS Explores Possible Healthcare Savings	5
KEHP 07 Open Enrollment	5

KTRS Board Elects Dr. Jay Morgan as Trustee to Fill Unexpired Term of Arthur W. Green



The KTRS Board of Trustees' Chairman Arthur W. Green retired from teaching on June 30, 2006. Consequently, his seat on the KTRS Board of Trustees, representing active members, became vacant. At a meeting held June 19, 2006, the Board of

Trustees elected **Dr. Jay Morgan** of Murray to fill Mr. Green's unexpired term. Dr. Morgan is an associate professor in the Murray State University School of Agriculture, where he earned a Bachelor of Science degree in agriculture business and a Master of Science degree in agriculture education. His Doctor of Philosophy degree in agriculture education is from Oklahoma State University. Dr. Morgan's term of office began July 1, 2006 and will end June 30, 2009.

CONLEY continued from page 1 ...

again in March 2004. He has served as vice chairman of the Board's Investment Committee for fourteen years of his tenure on the Board of Trustees.

Mr. Conley, a lifelong resident of Paintsville, taught in the Paintsville City Schools for two years, and began a career in banking in 1948 with the First National Bank of Paintsville, rising from bank teller to executive vice president and chief executive officer when he retired in 1980. After retiring from banking, Mr. Conley served as finance officer for Johnson County, as well as finance officer and budget director for the City of Paintsville.

Mr. Conley has been very active in civic and community affairs, and served as a member of the Paintsville Independent School Board for twelve years, including a four-year term as chairman. He also served on the Board of Advisors at Prestonsburg Community College for more than 25 years.

Mr. Conley's current term of office began July 1, 2006 and will end June 30, 2010

ZIMMERMAN continued from page 1 ...

Ms. Zimmerman is a graduate of Eastern Kentucky University with a B.S. in Community Health Education, a B.S. Area of Concentration Science, and a Masters Degree in Biology Education. Ms. Zimmerman is currently a teacher in Fayette County Public Schools' Family Care Center, and is a recipient of the University of Kentucky's Teachers Who Made A Difference Award.

In addition to serving on a number of Fayette County Public Schools' committees, Ms. Zimmerman is also active in the Kentucky Education Association, the National Education Association and the Fayette County Education Association, where she has served on the Board of Directors. She has also served as chair of the Fayette County Education Association-sponsored Hugh O'Brien Leadership Program and participated as a liaison for students in the teacher education program. For more than ten years, Ms. Zimmerman served on the Fayette County Public Schools' Benefits Committee where benefit improvements were identified, specifications developed and proposals reviewed for making recommendations of companies that could provide benefits.

Ms. Zimmerman's current term of office began July 1, 2006 and will end June 30, 2010.

Age 65 & Over Medicare Eligible Health Plan (MEHP) WHCRA Annual Notice

Do you know that your plan, as required by the Women's Health and Cancer Rights Act of 1998, provides benefits for mastectomy-related services including all stages of reconstruction and surgery to achieve symmetry between breasts, prostheses, and complications resulting from a mastectomy, including lymphedema? Call your Plan

Administrator at
1-800-423-3289
for more information.

KTRS Medical Insurance Fund to Receive \$12 Million Transfer from State's General Fund Surplus

On July 10, 2006, Governor Ernie Fletcher announced a \$136.5 million General Fund surplus for fiscal year 2006, which ended June 30. Under the current budget bill, the only allowable uses for the General Fund surplus are transfers to the retirement systems and the rainy day fund, which includes Necessary Government Expenditures. Governor Fletcher's transfer of \$12 million of this surplus to the KTRS Medical Insurance Fund will help defray the cost of retiree health care.

Gary Harbin, KTRS executive secretary, thanked Governor Fletcher, on behalf of the KTRS Board of Trustees, membership and staff, for the positive consideration given to the System's request to be included in the allocation of any surplus funds.

Military Service Purchases

House Bill 79, enacted during the 2006 General Assembly, provides that the Commonwealth of Kentucky shall pay the member contribution for all certified staff employed in the local school districts who are members of a state National Guard or Reserve component ordered to active military duty by the President of the United States. In order to qualify, members must timely return to employment in their districts upon release from active duty. Only upon a timely return to employment is the Commonwealth obligated to pay the member contribution. House Bill 79 became effective on July 12, 2006, and is not retroactive. The Commonwealth is obligated to pay the member contribution only for those members who timely return to employment in their local school districts on or after July 12, 2006.

Disability Income Limitation

As a result of the enactment of House Bill 555 during the 2006 General Assembly, the disability income limitation for members who retired under the disability provisions on or before July 1, 2002, increased from \$27,000 to \$40,000 effective July 1, 2006. These retirees will be able to earn in allowable, non-KTRS covered employment (when added to their disability retirement allowance) a combined income equal to the greater of \$40,000 or their last annual compensation before retirement. The \$40,000 limitation is the same limit set for persons who retire under the disability provisions after July 1, 2002.

Cost of Living Adjustment (COLA)

Effective July 1, 2006, retirees who were retired at least one year received a two and three-tenths percent (2.3%) increase in their retirement allowance. This increase is reflected in the July payment. Members who have been retired for less than one year will receive a pro rata COLA increase in proportion to the number of months they have been retired. Eight-tenths of one percentage point (0.8%) of this year's COLA was provided through funding appropriated during the 2006 General Assembly. The remaining one and one-half percentage points (1.5%) of this year's COLA represents the standard increase guaranteed each year by statute.



Keep Your Address Current!

this keeps you informed of
all the late-breaking news
from KTRS!!

Retirements Down as Members Work Longer to Build Greater Financial Security

The combined number of retirements for June and July 2006 was 1,098.

This is the second lowest number of retirements for these two months in the last ten years. Correspondingly, the average retirement age has slowly increased over the last few years. KTRS believes that there are a number of reasons for this recent trend. One of the most important is that members are becoming better educated in understanding what their financial needs will be during their retirement years, and are waiting to retire until they feel that they can do so with financial security. Through its mid-career and pre-retirement workshops, KTRS presents information to help members make better-informed retirement decisions.



Another factor that appears to have encouraged members to work longer and achieve greater financial security in retirement is the legislative change in 1998 that permitted retirement allowances to be calculated on a member's three highest, rather than five highest, salaries once the member accumulates at least twenty-seven years of service and reaches fifty-five years of age. The availability of a 3.0% multiplier for each year of qualified service in excess of thirty years has also been a tremendous benefit for those members who choose to work longer.

Other reasons that members appear to be working longer include uncertainty over the continued funding to sustain medical insurance at current levels, and residual uncertainty over the economy following the stock market crash in the year 2000.

2007 Medicare Part D Update Especially for Those Retirees Nearing 65

For the majority of our Medicare eligible members, it is in their best financial interest to remain on the KTRS Prescription Drug Plan. The KTRS Prescription Drug Plan is a creditable plan under Part D of Medicare, meaning that the average member benefits are equal to, and in many cases, better than the standard Medicare Part D Drug Plan. This also means that as long as you have creditable coverage, there is no late enrollment penalty if you do not enroll in a Medicare Part D plan when you turn age 65. For 2006, your Medicare Part D Notice of Creditable Coverage was included inside the Medicare Eligible Health Plan Summary Plan Description Booklet that was mailed to you in November 2005 or later when you turned age 65. For 2007, KTRS will mail your Medicare Part D Notice of Creditable

Coverage directly to your address on file with KTRS.

Please call the KTRS office if you need help with any Medicare Part D issue. For our few members who have both Medicaid and Medicare or fall into certain low-income statuses, it may be in their best financial interest to take a Medicare Part D plan. Once you have enrolled in a Medicare Part D Prescription Drug Plan, you lose eligibility for the KTRS Prescription Drug Plan and must experience a qualifying event or wait until the next open enrollment before reenrolling in the KTRS Prescription Drug Plan. Disenrolling from a Part D Plan is required prior to reenrolling with KTRS.

KTRS Explores Possible Savings for Retiree Healthcare

KTRS' current self-funded Medicare Eligible Health Plan pays medical claims after Medicare pays its portion of each claim. The Medicare Modernization Act opened a window of opportunity for insurance carriers to offer insured plans called Medicare Advantage Plans. In order to entice insurance carriers to cover more rural counties throughout the United States, Medicare provides approximately 10% more subsidy for the Medicare Advantage Plans as opposed to the traditional Medicare plan. The Medicare Advantage Plan product has been well received by insurance carriers in 2006, producing a competitive environment.

To further explore this opportunity, KTRS has issued a Request for Qualifications (RFQ) soliciting responses for an insured Medicare Advantage Plan for calendar year 2007. The solicitation was drafted in accordance with the existing Medicare Eligible Health Plan design. The existing plan design, out-of-pocket costs, and physician/hospital access will not materially change or the solicitation process will cease.

If a contract is awarded, the insured Medicare Advantage Plan will replace the current KTRS self-funded Medicare Eligible Health Plan that covers

participants who have both Medicare Parts A and B. This RFQ also contains a mandatory component stating that the awarded insurance carrier for the Medicare Advantage Plan must also function as the third party administrator and claims processor for the existing KTRS self-funded Medicare Eligible Health Plan that will remain intact to cover participants who are not automatically entitled to Medicare Part A. For calendar years after 2007, should Medicare substantially reduce the subsidies afforded with the Medicare Advantage Plans, KTRS will revert back to the KTRS self-funded Medicare Eligible Health Plan for all participants, beginning with the next calendar year.

KTRS has performed an initial savings analysis demonstrating that conversion to a Medicare Advantage Plan may result in an approximate \$11 million savings in calendar year 2007. The KTRS self-funded Medicare Eligible Prescription Drug Plan, currently administered by Medco, will remain intact for all eligible retirees over the age of 65, unless they are enrolled in one of the Medicare Part D drug plans.

Kentucky Employees Health Plan 2007 Open Enrollment for Pre-Medicare Eligible Retirees

The 2007 open enrollment period scheduled this fall for the Kentucky Employees Health Plan may require a total reenrollment, meaning that action on your part will be necessary to guarantee coverage for 2007. Please read any future communications carefully and completely in order to secure your health insurance coverage for 2007.

TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY
479 Versailles Road
Frankfort, Kentucky 40601-3800
July/Aug 2006



PRSRT STD
U.S. POSTAGE
PAID
Frankfort KY
Permit No. 730